



# **Arizona Water Infrastructure Finance Authority**

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# Your Presenters



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# Water Infrastructure Finance Authority

- **Vision**

- To guide our resources to communities with the greatest need to maintain and enhance Arizona's quality of life.

- **Mission**

- To maintain and improve water quality in Arizona by providing financial and technical assistance for basic water infrastructure.

- **Purpose**

- Protect public health
- Ensure safe drinking water
- Proper wastewater treatment
- Improve water quality

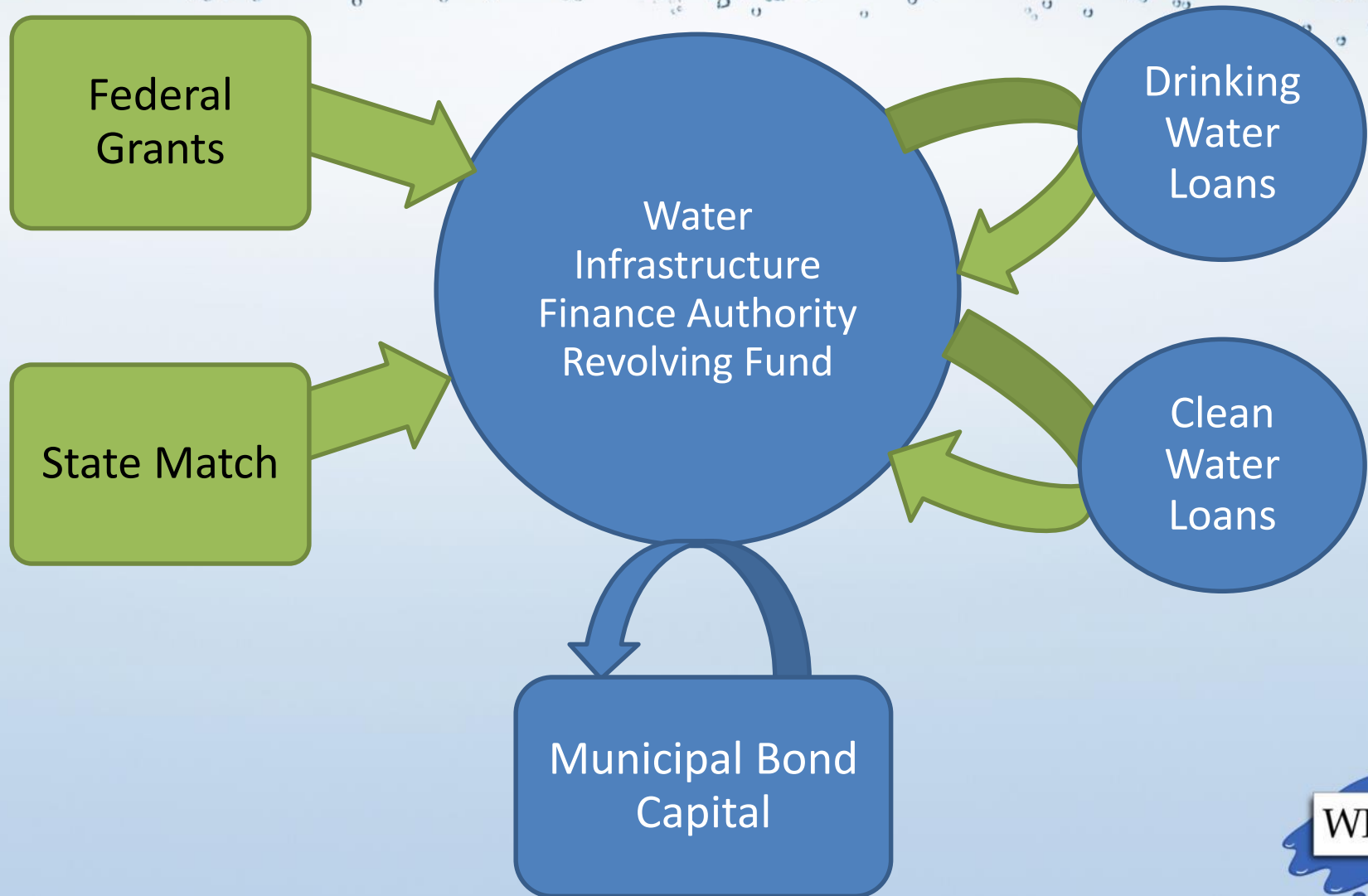
- **Funding to improve water infrastructure**

- Low-interest loans
- Planning and design Technical Assistance Funding



*25-year history - invested over **\$2 billion** in Arizona's communities*

# Revolving Funds



# Arizona's Revolving Funds

- Receive capitalization grants from EPA
- Borrow money (issue bonds) at the best rates available (AAA rated)
- Lend money at below-market interest rates (subsidize)
- Receive loan repayments
- *The cycle continues (revolves)....*



# WIFA's FY 2017 Loans

- So far in FY 2017 we have originated **\$61 million**
  - With another **\$6.0 million** closing soon
  - Governmental Rates Between **2.01% - 2.87%**

Borrower	Loan Amount	Interest Rate	Loan Term
Town of Wickenburg	\$1,000,000.00	0.71%	5 Years
Town of Payson	\$11,000,000.00	2.44%	20 Years
City of Peoria	\$49,013,733.00	2.65%	20 Years
Town of Chino Valley	\$640,000.00	2.42%	20 Years
City of Douglas	\$3,000,000.00	TBD	20 Years
City of Globe	\$3,000,000.00	TBD	20 Years

# Current Resources

- **\$170 million** available for new projects
  - *If we run out we can go the bond market and borrow at the AAA Municipal Rate*
- **\$3.7 million** Forgivable Principal Available
  - Drinking Water **\$2,786,150**
  - Clean Water **\$990,500**



# Eligible Borrowers

- Cities, towns, tribal entities and special districts:
  - Own a public water system
  - Own a wastewater facility
  - Manage stormwater (permitted MS4s and unpermitted)
  - Private ACC-regulated drinking water systems

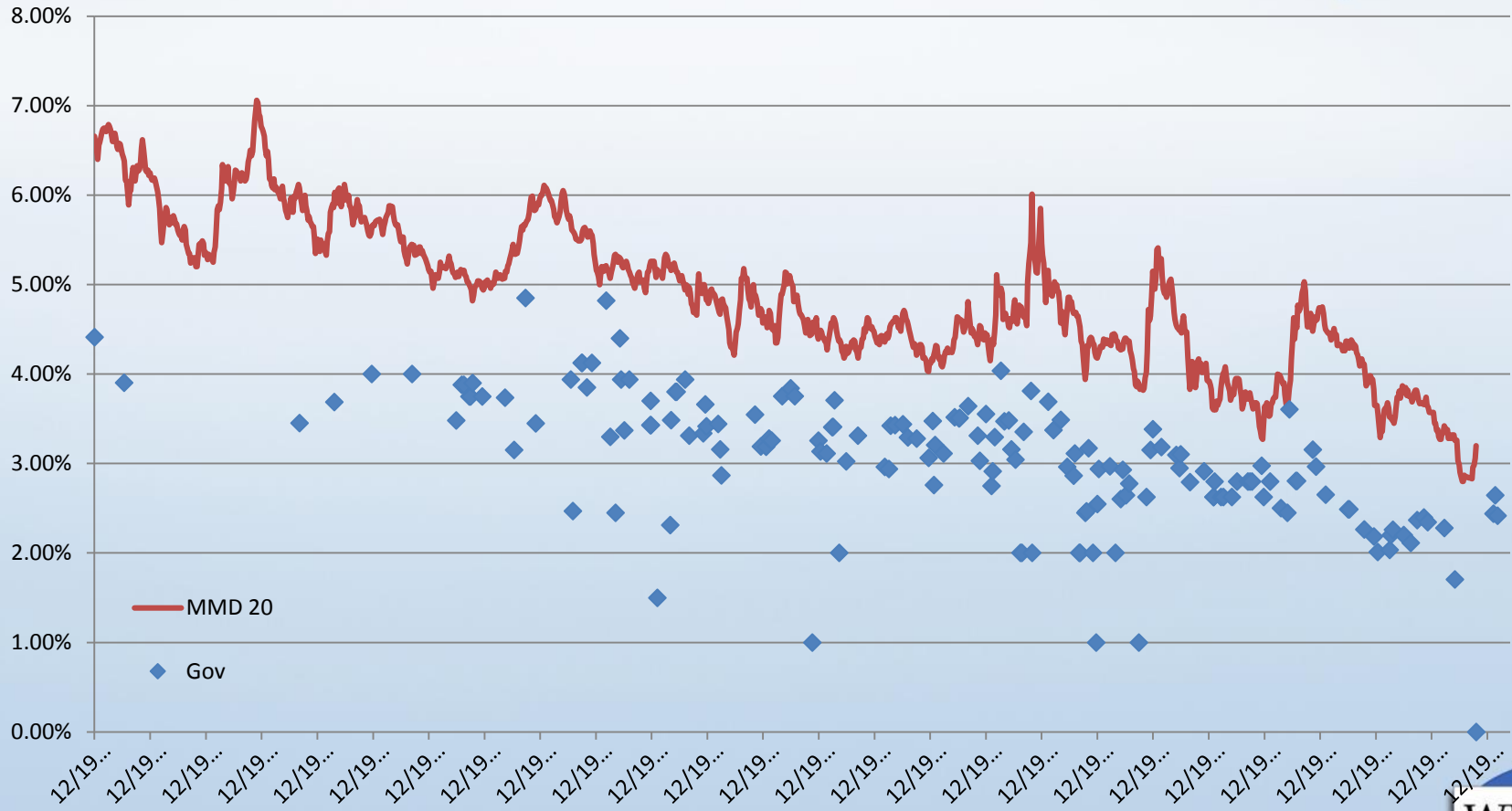


# Eligible Projects and Types of Assistance

- What types of projects are eligible?
  - Drinking water
  - Wastewater
  - Stormwater
- Financial Assistance Options
  - Loans
    - Planning /design => *1% interest rate*
    - Construction => Subsidized Rate
    - Acquisition Loan => Subsidized Rate
  - Technical Assistance Awards
    - 35,000 Max for planning and design
    - Competitive Process



# WIFA Govt Loan Rates vs Market Rates



# Additional Subsidization

- **Disadvantaged Community Designation**

- Forgivable Principal -
  - typically not more than 50% of eligible costs
- Lower interest rate loans
- Extended loan term

- **Incentives for Green Projects**

- Forgivable principal -
  - Up to 20% of eligible project costs
- Reduced interest Rate



# Average Savings Scenario

<b>Fiscal Impact of WIFA Financial Assistance</b>	<b>WIFA Loan</b>	<b>Bond Scenario</b>
Total Requested	\$50,000,000.00	\$50,000,000.00
Cost of Issuance*	\$0.00	\$500,000.00
Forgivable Principal	\$0.00	\$0.00
<b>Funded Amount (Amount to be Repaid)</b>	<b>\$50,000,000.00</b>	<b>\$50,500,000.00</b>
Term	20	20
Interest Rate Index; WIFA <b>AAA</b> / Bond <b>AA</b>	<b>2.89%</b>	<b>3.12%</b>
Subsidy Rate	80.00%	N/A
<b>Combined Interest &amp; Fee Rate</b>	<b>2.312%</b>	<b>3.120%</b>
<b>Annual Level Debt Service Payments</b>	<b>\$3,150,674.69</b>	<b>\$3,432,164.18</b>
Year Principal Repayments Begin	1	1
Debt Service Reserve Requirement	\$3,150,674.69	\$3,432,164.18
Coverage Requirement	20.00%	20.00%
# of Years Debt Service Reserve Funded	5	5
Annual Debt Service Reserve Deposit	\$630,134.94	\$686,432.84
<b>Annual Fiscal Impact</b>		
Effective Annual Rate	<b>2.31%</b>	<b>3.23%</b>
<b>Total Savings to Term</b>	<b>\$5,629,789.90</b>	
<b>NPV of Total Savings (Discount rate of Bond)</b>	<b>\$4,246,446.04</b>	

*\*WIFA has no closing costs. A legal opinion by City or Bond Counsel is required and WIFA can incorporate any Financial Advisor and Counsel fees into the loan.*



WIFA

# Disadvantaged Community Savings Scenario

<b>Fiscal Impact of WIFA Financial Assistance</b>	<b>WIFA Loan</b>	<b>Bond Scenario</b>
Total Requested	\$10,000,000.00	\$10,000,000.00
Cost of Issuance*	\$0.00	\$100,000.00
Forgivable Principal	\$2,000,000.00	\$0.00
<b>Funded Amount (Amount to be Repaid)</b>	<b>\$8,000,000.00</b>	<b>\$10,100,000.00</b>
Term	20	20
Interest Rate Index; WIFA <b>AAA</b> / Bond <b>BBB</b>	<b>2.89%</b>	<b>3.77%</b>
Subsidy Rate	70.00%	N/A
<b>Combined Interest &amp; Fee Rate</b>	<b>2.023%</b>	<b>3.770%</b>
<b>Annual Level Debt Service Payments</b>	<b>\$490,340.35</b>	<b>\$728,118.96</b>
Year Principal Repayments Begin	1	1
Debt Service Reserve Requirement	\$490,340.35	\$728,118.96
Coverage Requirement	20.00%	20.00%
# of Years Debt Service Reserve Funded	5	5
Annual Debt Service Reserve Deposit	\$98,068.07	\$145,623.79
<b>Annual Fiscal Impact</b>		
Effective Annual Rate	<b>-0.19%</b>	<b>3.88%</b>
<b>Total Savings to Term</b>	<b>\$4,755,572.34</b>	
<b>NPV of Total Savings (Discount rate of Bond)</b>	<b>\$3,397,965.02</b>	

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WIFA



# Payson Project

- WIFA Funded over \$47,000,000 in improvements
- \$7,000,000 of forgivable Principal

Closing Date	Maturity Date	Combined Fee and Interest Rate	Obligated Amount	Remaining Commitment	Forgivable Principal	Repayment Source
8/14/2009	7/1/2029	2.89%	\$8,177,808		\$4,000,000	Revenues
9/14/2012	7/1/2032	2.80%	\$6,250,000			Revenues
3/27/2015	7/1/2044	2.20%	\$11,000,000	\$414,433	\$1,000,000	Revenues
3/11/2016	7/1/2045	2.28%	\$11,000,000	\$10,313,859	\$1,000,000	Revenues
1/19/2017	7/1/2046	2.44%	\$11,000,000	\$11,000,000	\$1,000,000	Revenues

# WIFA's Loan Process

A decorative graphic of a water splash with many small bubbles, spanning the width of the slide just below the title.

**Step 1:** Applicant submits an online application  
(Project Priority List application)

**Step 2:** Applicant obtains debt authorization

**Step 3:** Applicant completes a project finance application

**Step 4:** Board approval process

**Step 5:** WIFA issues loan

Go from completing an online  
application to closing a loan in just a few  
months!





# Benefits of Choosing WIFA

- **Low interest rates** (*WIFA is rated AAA*)
  - *Average interest rate in FY 2017 for public entities* **2.5%**
- Financing available year-round
- No application deadlines
- No competition
- No application fees or closing costs
- No minimum or maximum loan amount
- Funds are continuously reinvested in Arizona



A horizontal splash of water with many small bubbles, spanning the width of the slide at the top.

# **WIFIA - Water Infrastructure Finance and Innovation Act**



# The What and Why of WIFIA

## What is WIFIA?

- Originally authorized under the Water Resources Reform and Development Act (WRRDA) of 2014
- WIFIA was established as a five year pilot program modeled on the current Transportation Infrastructure Finance and Innovation Act (TIFIA) program
- Credit assistance in the form of loans or guarantees
- Funds are to provide a reserve subsidy for credit assistance, not for direct outlays to projects (TIFIA averages 10:1)

## Why was it established?

- Attempts to fill in a **perceived** gap left open by the SRF programs by providing subsidized financing for large projects



# Who is Eligible to Borrow Through WIFA

## Eligible borrowers are:

- Local, state, tribal, and federal government entities
- Partnerships and joint ventures
  - Public / Private or any other combination
- Corporations and trusts
- Arizona WIFA Bundled Projects



# WIFIA Eligible Projects

## **Development and implementation Projects:**

- Wastewater projects that are eligible for the Clean Water SRF
- Drinking water projects that are eligible for the Drinking Water SRF
- Related energy efficiency projects
- Desalination, aquifer recharge, alternative supply, and water recycling
- Drought prevention, reduction, or mitigation
- Acquisition of property integral to an eligible project
- Groups of projects submitted by an SRF program

## **Eligible development and implementation activities:**

- Development activities; planning, preliminary engineering, design, environmental review, revenue forecasting, and other pre-construction activities
- Construction, reconstruction, rehabilitation, and replacement activities
- Acquisition of real property



# WIFIA Program fees

Fee Type	Amount	Specified in Which Document	Applies to
Application Fee	\$100,000 or \$25,000 (for projects serving small communities)	Application Form	Prospective borrowers
Credit Processing Fee	Costs incurred to the EPA minus application fee	Invoice at Closing	Prospective borrowers
Optional Supplemental Fee	As applicable by agreement between WIFIA program and prospective borrower	Credit Agreement	Prospective borrower
Loan Servicing Fee	As applicable	Credit Agreement	Borrowers
Extraordinary Expenses Fee	As applicable	Credit Agreement	Distressed borrowers





# WIFIA Program Features

- \$20 million: Minimum project size for large communities.
- \$5 million: Minimum project size for small communities
- 49%: Maximum portion of eligible project costs
- Total federal assistance may not exceed 80% of a project's eligible costs.
- 35 years: Maximum final maturity date from substantial completion.
- 5 years: Maximum time that repayment may be deferred after substantial completion of the project.
- Interest rate will be equal to or greater than the U.S. Treasury rate
- Projects must be creditworthy and have a dedicated source of revenue.
- NEPA, Davis-Bacon, American Iron and Steel, and all other federal cross-cutter provisions apply.





# Water Infrastructure Finance Authority of Arizona



*Affordable and efficient financing available year-round.  
Invest today the WIFA way.*

## Get Connected

**E-mail distribution list:** [www.azwifa.gov/sign-up](http://www.azwifa.gov/sign-up)

**Website:** [www.azwifa.gov](http://www.azwifa.gov)

**Social Media:**   @WIFAfunding